

UTAH LEGAL SERVICES, INC.

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

YEARS ENDED JUNE 30, 2005 AND 2004

ACRONYMS

ABA	American Bar Association
AG	Attorney General
ALG	Association of Local Governments
AOG	Association of Governments
BJA	Bureau of Justice Affairs
CFDA	Catalog of Federal Domestic Assistance
DOA	Utah Division on Aging
DOJ	Department of Justice
FEP	Federal Employment Program
GAD	General Assistance/Disability
HHS	United States Department of Health and Human Services
IOLTA	Interest on Lawyers Trust Accounts
LSC	Legal Services Corporation
OMB	Office of Management and Budget
PAI	Private Attorney Involvement
SLVP	Senior Lawyer Volunteer Project
TCAP	Tribal Court Assistance Program
ULS	Utah Legal Services
VAWA	Violence Against Women Act
VOCA	Victims of Crime Act

UTAH LEGAL SERVICES, INC.

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Burnham & Schumm, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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A Professional Corporation
Officers:
Lonnie K. Burnham, C.P.A.
Ted Schumm, C.P.A.

REPORT OF INDEPENDENT AUDITORS'

To the Board of Trustees of
Utah Legal Services, Inc.
Salt Lake City, Utah

We have audited the accompanying statements of financial position of Utah Legal Services, Inc. (a nonprofit organization) as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Utah Legal Services, Inc. as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2005, on our consideration of Utah Legal Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide

an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Utah Legal Services, Inc. taken as a whole. The schedule of functional expenses and schedules of support and expenses are presented for the purposes of additional analysis and is not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Salt Lake City, Utah
October 7, 2005

Burnham & Schumm

UTAH LEGAL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash	\$ 360,171	\$ 846,348
Certificate of deposit	750,000	--
Client escrow funds	5,474	5,436
Grants receivable	204,524	132,840
Unconditional promises to give	74,782	66,533
Prepaid expenses	38,564	12,044
Advances and other	<u>2,746</u>	<u>2,305</u>
Total current assets	1,436,261	1,065,506
Property and equipment, at cost, net	108,801	132,394
Other assets, deposits	<u>12,055</u>	<u>12,055</u>
Total Assets	<u>\$1,557,117</u>	<u>\$1,209,955</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 32,899	\$ 36,687
Accrued payroll and related liabilities	82,954	91,136
Accrued vacation	90,000	90,000
Client trust deposits	5,474	5,436
Current portion obligations under capital lease	<u>17,528</u>	<u>18,425</u>
Total Current Liabilities	<u>228,855</u>	<u>241,684</u>
Obligations under capital lease, less current portion	<u>1,472</u>	<u>19,175</u>
Net assets:		
Unrestricted:		
Operations	678,237	388,819
Fixed assets	<u>108,801</u>	<u>132,394</u>
	<u>787,038</u>	<u>521,213</u>
Temporarily Restricted:		
Legal Services Corporation	459,840	288,678
Non - LSC	<u>79,912</u>	<u>139,205</u>
	<u>539,752</u>	<u>427,883</u>
Permanently Restricted	<u>--</u>	<u>--</u>
Total Net Assets	<u>1,326,790</u>	<u>949,096</u>
Total Liabilities and Net Assets	<u>\$1,557,117</u>	<u>\$1,209,955</u>

The accompanying notes are an integral part of
these financial statements.

UTAH LEGAL SERVICES

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Unrestricted Net Assets:		
Support:		
Federal and state financial assistance	\$2,351,520	\$2,477,985
Other grants and contract revenue	294,030	274,556
In-kind contributions	118,375	57,171
Interest income	8,283	1,442
Other	<u>4,004</u>	<u>462</u>
	<u>2,776,212</u>	<u>2,811,616</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	361,350	--
United Way and IOLTA funding for the year	<u>66,533</u>	<u>81,710</u>
	<u>3,204,095</u>	<u>2,893,326</u>
Expenses:		
Program services	2,673,070	2,478,145
Support services:		
Administrative, management and general	200,024	189,776
Fund raising	<u>65,176</u>	<u>77,597</u>
	<u>2,938,270</u>	<u>2,745,518</u>
Increase in unrestricted net assets	<u>265,825</u>	<u>147,808</u>
Temporarily Restricted Net Assets:		
United Way and IOLTA funding for next year	74,782	66,533
Federal Support:		
Legal Services Corporation	459,840	288,678
Health & Human Services	--	72,672
Department of Justice	5,130	--
Net assets released from restrictions:		
Restrictions satisfied by payments and expiration of time	<u>(427,883)</u>	<u>(81,710)</u>
Increase in temporarily restricted net assets	<u>111,869</u>	<u>346,173</u>
Permanently restricted net assets	<u>--</u>	<u>--</u>
Increase in net assets	377,694	493,981
Net Assets at beginning of year	<u>949,096</u>	<u>455,115</u>
Net Assets at end of year	<u>\$1,326,790</u>	<u>\$ 949,096</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase in net assets	\$ 377,694	\$ 493,981
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	55,433	64,081
Loss on disposal of fixed assets	4,475	2,496
(Increase) in grants receivable	(71,684)	(63,672)
(Increase) decrease in unconditional promise to give	(8,249)	15,177
(Increase) in advances and other	(441)	(919)
(Increase) decrease in prepaid expenses	(26,520)	2,975
Decrease in deposits	--	16,876
Increase (decrease) in accounts payable	(3,788)	2,538
(Decrease) in accrued payroll	<u>(8,182)</u>	<u>(7,633)</u>
Net increase in cash from operating activities	<u>318,738</u>	<u>525,900</u>
Cash flows from investing activities:		
Proceeds on sale of property and equipment	--	473
Acquisition of property and equipment	<u>(36,315)</u>	<u>--</u>
Net increase (decrease) in cash from investing activities	<u>(36,315)</u>	<u>473</u>
Cash flows from financing activities:		
Purchase of certificate of deposit	(750,000)	--
Repayments on obligations under capital lease	<u>(18,600)</u>	<u>(15,940)</u>
Net decrease in cash from financing activities	<u>(768,600)</u>	<u>(15,940)</u>
Net increase (decrease) in cash	(486,177)	510,433
Cash balance at beginning of year	<u>846,348</u>	<u>335,915</u>
Cash balance at end of year	<u>\$ 360,171</u>	<u>\$ 846,348</u>
Supplemental disclosure of cash flow information:		
Interest paid during the year	<u>\$ 3,129</u>	<u>\$ 4,236</u>
Income taxes paid during the year	<u>\$ --</u>	<u>\$ --</u>
Computer equipment acquired under capital lease	<u>\$ --</u>	<u>\$ 23,640</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

1. Nature of Organization and Significant Accounting Policies

Organization

Utah Legal Services, Inc., a nonprofit corporation, was established under the laws of the State of Utah on June 7, 1976. The Organization is dedicated to providing legal services of a civil nature to persons unable to pay for such services in all counties within the State of Utah.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Notes to Financial Statements - Continued

Grants Receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Property and equipment are being depreciated over estimated useful lives of three to ten years using a straight-line method. The Organization capitalizes expenditures for property and equipment in excess of \$5,000.

Property and equipment acquired with funds from the various sources is considered to be owned by ULS while used in the program or in future authorized programs. However, the funding sources have a reversionary interest in the assets purchased with their respective funds.

Revenue Recognition

The Organization recognizes grant funds from LSC as support on a straight-line basis over the grant period. Funds remaining unused at the end of an accounting period are carried forward in the applicable net assets. The LSC net assets are subject to the provisions of LSC's Fund Balance Regulation. LSC may, at its discretion, request reimbursement for expenses, the return of funds or both as a result of noncompliance by the Organization with the terms of the grant. In addition, if the Organization terminates its legal assistance activities, all unused funds are to be returned to LSC.

Revenues are recognized as funds are received on the LSC and other non cost reimbursement contracts and as costs are incurred, or units of service are provided on the cost reimbursement contracts.

Notes to Financial Statements - Continued

The methods used to recognize revenues do not necessarily coincide with the flow of cash. Consequently, receivables have been recorded for amounts earned on the contracts for which cash has not been received. Conversely, temporarily restricted net assets have been recorded where grant/contract funds received in cash exceed the earned amounts.

Contributions and support, including unconditional promises to give, are recorded as made. All contributions and support are available for unrestricted use unless specifically restricted by the grantor/donor. Contributions that are restricted by the grantor/donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which contributions are recognized. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years, if any, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Noncash Contributions

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal or state income taxes in the accompanying financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Notes to Financial Statements - Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of Expenses

In some cases, common expenses are incurred which support the work performed under more than one grant or contract. Such expenses are allocated between the grants and contracts based on the percentage of time spent by ULS staff on the grant or contract. All grants and contracts, including the components of LSC funding (except PAI) are charged to the extent of the grant or contract budget. Excess expenses over revenue on programs with LSC eligibility screening are charged to LSC Basic, those with differing eligibility guidelines are charged to other unrestricted sources.

2. Cash - Credit Risk

The Organization has deposits totaling \$1,133,827 and \$104,126 at the same bank as of June 30, 2005 and 2004, respectively. This exceeds the \$100,000 covered by federal depository insurance by \$1,033,827 and \$4,126, respectively.

At June 30, 2005 and 2004, the Organization has deposits totaling \$6,794 and \$751,111, respectively in a money market account invested in US Treasuries. The brokerage account is insured up to \$500,000 with SIPC. At June 30, 2004, the \$251,111 in excess of SIPC coverage is secured by insurance provided by Pershing, the clearing house for the brokerage firm.

3. Certificate of Deposit

At June 30, 2005, the Organization has a certificate of deposit in the amount of \$750,000. The one year certificate earns interest at 2.91% and matures on February 23, 2006. This certificate is included in deposits exceeding the FDIC insurance, see Note 2.

4. Client Trust Accounts

The Organization holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and liability of the Organization.

Notes to Financial Statements - Continued

5. Grants Receivable

Grants and contracts receivable at June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
And Justice For All	\$ 65,600	\$ --
Health and Human Services	7,051	29,112
Salt Lake County - Division of		
Aging - Title III	3,105	2,126
Title III - All Other	4,890	4,403
Title XX	315	--
State of Utah - Criminal Justice	26,541	14,133
Department of Justice - LAVA	674	37,044
State of Utah - GAD, FEP	95,242	45,909
Other	<u>1,106</u>	<u>113</u>
Total Grants Receivable	<u>\$204,524</u>	<u>\$132,840</u>

6. Unconditional Promises to Give

The amount due for unconditional promises to give consists of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Allocation for the next year:		
United Way	\$49,782	\$46,533
IOLTA	<u>25,000</u>	<u>20,000</u>
	<u>\$74,782</u>	<u>\$66,533</u>

The amounts from unconditional promises to give at June 30, 2005 and 2004 are due within one year. Although actual grant payments may vary, differences between the amount recorded and collected have historically been insignificant. Accordingly, no provision is made for uncollectible amounts.

7. Restrictions on Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
For subsequent periods:		
United Way	\$ 49,782	\$ 46,533
IOLTA	25,000	20,000
Federal support not expended:		
Legal Services Corporation	459,840	288,678
Health & Human Services	--	72,672
Department of Justice	<u>5,130</u>	<u>--</u>
	<u>\$539,752</u>	<u>\$427,883</u>

There are no permanently restricted net assets at June 30, 2005 and 2004.

Notes to Financial Statements - Continued

8. Property and Equipment

The following is a summary of property and equipment as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Property and equipment	\$281,546	\$277,125
Law Library	<u>--</u>	<u>105,253</u>
	281,546	382,378
Less accumulated depreciation	<u>172,745</u>	<u>249,984</u>
Property and equipment, net	<u>\$108,801</u>	<u>\$132,394</u>

Property and equipment acquired with grant funds are subject to certain restrictions on the sale or other disposition of the property as specified by the grantor agency. Also, if the grantor discontinues funding, all property and equipment acquired with grant funds may be recovered by the grantor.

Depreciation and amortization expense for the years ended June 30, 2005 and 2004 was \$55,433 and \$64,081, respectively.

9. Obligations Under Capital Lease

Obligations under capital lease consists of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Lease payable to two leasing companies, payable in monthly installments totaling \$1,811 including interest from 8% to 14%, final payment due August 8, 2006, collateralized by computers with a book value of \$19,000.	<u>\$19,000</u>	<u>\$37,600</u>
Total capital lease obligations	19,000	37,600
Total current portion of capital lease obligations	<u>17,528</u>	<u>18,425</u>
Total capital lease obligations less current portion	<u>\$ 1,472</u>	<u>\$19,175</u>

Maturities of capital lease obligations are as follows:

<u>June 30,</u>	
2006	\$17,528
2007	<u>1,472</u>
	<u>\$19,000</u>

Notes to Financial Statements - Continued

10. Lease Commitments

Utah Legal Services, Inc. leases office space for their Salt Lake, Ogden, Provo, and Cedar City offices. Each Office is leased under a separate lease agreement. Each lease contains a defunding clause making the lease cancelable upon 60-90 days notice if ULS loses its funding from Legal Services Corporation. Lease payments for the years ended June 30, 2005 and 2004 amounted to \$197,873 and \$196,259, respectively. The lease payments are classified as space costs in the accompanying financial statements.

For all offices maintained by ULS, the related future minimum lease payments (based on leases with terms of one year or more) are as follows:

<u>June 30,</u>	<u>Amount</u>
2006	\$184,331
2007	182,180
2008	130,319
2009	50,663
2010	18,304
	<u>\$565,797</u>

11. Private Attorney Involvement (PAI) Expenditures

The assurances given by ULS as a condition for approval of the LSC Basic Field grant include an assurance and certification that at least the minimum amount of LSC funds prescribed by LSC rules, regulations, guidelines, and instructions will be provided for the involvement of private attorneys in the delivery of legal assistance to the eligible clients.

45 CFR 1614.1 defines the minimum amount of funds to be devoted to involvement of private attorneys as "an amount equal to at least twelve and one-half percent (12.5%) of the recipient's LSC annualized basic field award."

Based on these assurances, ULS is required to expend \$210,134 on PAI during the year ended June 30, 2005. As noted in the following summary, ULS exceeded the requirement by \$14,457.

Notes to Financial Statements - Continued

	<u>PAI</u>
LSC annualized basic field award at 12.5%	<u>\$210,134</u>
Expenses:	
Salaries	\$134,886
Employee benefits	19,059
Contract services	41,424
Space costs	11,266
Travel	5,102
Consumable supplies	2,024
Telephone	2,444
Equipment expense	1,456
Litigation	536
Library expense	2,270
Licenses and fees	413
Insurance	812
Training	1,432
Miscellaneous	<u>1,467</u>
	<u>224,591</u>
Expenses in excess of requirement	<u>\$ 14,457</u>

12. Tax Sheltered Annuity Plan

Utah Legal Services sponsors a 403 (b) salary reduction plan that covers employees. Employees are eligible to participate in salary reduction contributions on their hire date. With respect to non-salary reduction contributions, employees are eligible to participate if they have completed six months of service and have attained age 21. Salary reduction contributions are limited in any year to a certain dollar amount set by law. For the calendar year ending December 31, 2004, that limit is \$13,000. For the year ended June 30, 2005 and 2004, Utah Legal Services did not match any contributions.

13. Major Grantor

During the year ended June 30, 2005 and 2004, Utah Legal Services received \$1,827,408 and \$1,809,001, respectively, from Legal Services Corporation. This represents 55.1% and 55.8% of total revenues for the years ended June 30, 2005 and 2004, respectively. A loss of funding from this grantor would have a materially adverse effect on the financial condition of ULS.

Notes to Financial Statements - Continued

14. Donated Services

During the years ended June 30, 2005 and 2004, the Organization recorded donated services of \$118,375 and \$57,171, respectively. During the years ended June 30, 2005 and 2004, the Organization received approximately 7,400 and 3,500 hours of service from volunteers valued at approximately \$16 per hour.

15. Excess Fund Balance

At June 30, 2005, the Organization has an LSC fund balance of \$459,840, which is properly reported as a temporarily restricted net asset in the accompanying financial statements. In accordance with regulation 45 CFR 1628 the Organization, without prior approval, may not expend LSC funds carried over from one year to the next in excess of 10% of LSC support. The allowable portion of the fund balance is \$183,072. The amount in excess of the allowable portion is \$276,768. As of the date of this report, the Organization has not requested a waiver for the excess.

At June 30, 2004, the Organization has an LSC fund balance of \$288,678. The allowable portion of the fund balance is \$181,044. The amount in excess of the allowable portion is \$107,634. As of May 23, 2005, LSC granted the Organization's request to carryover the excess fund balance.

GOVERNMENTAL AUDITING STANDARDS REPORTS
AND SINGLE AUDIT INFORMATION

UTAH LEGAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<u>Legal Services Corporation</u>			\$1,195,957
Legal Services Corporation	N/L	74500	<u>463,602</u>
Legal Services Corporation	N/L	74500	<u>1,659,559</u>
Total Legal Services Corporation			
<u>US Department of Health and Human Serv. (HHS)</u>			
Dept. of Health & Human Services	93.048	90AM2703/02	27,448
Passed Through State of Utah:			
Department of Workforce Services	93.558	016208	69,489
Davis County	93.044	N/A	3,371
Mountainlands Assoc of Govts	93.044	N/A	6,650
Southeastern UT AOG	93.044	N/A	2,126
San Juan County	93.044	N/A	1,280
Six County Aging Program	93.044	N/A	5,093
Five County Aging Program	93.044	N/A	6,818
Bear River Assoc of Govt-Title III	93.044	N/A	3,803
Uintah County Aging Program	93.044	N/A	1,250
Uintah Basin Aging Program	93.044	N/A	737
Weber County Title III	93.044	N/A	3,546
Tooele County Title XX	93.667	N/A	14,500
Tooele County Aging Program			
Title III	93.044	N/A	3,726
Salt Lake County Title XX	93.667	AE-04172-C	8,327
Passed Through State of Utah Through Salt Lake County:			
Dept of Aging Services	93.044	AE-1911-C	<u>36,891</u>
Total US Dept of HHS			<u>195,055</u>
<u>US Department of Justice</u>			
Department of Justice	16.524	1998-WL-VX-0038	279,430
Passed Through State of Utah:			
Commission on Criminal and Juvenile Justice	16.575	03-VOCA-50	69,957
Commission on Criminal and Juvenile Justice	16.575	03-VOCA-51	21,843
Commission on Criminal and Juvenile Justice	16.588	03-VAWA-35/ 02-VAWA-34	65,970
Passed Through Bureau of Justice Affairs:			
Tribal Court Assistance Program	16.608	2004-DD-BX-1120	42,517
Passed Through Utah Attorney Generals Office:			
Safe Passage	16.588	2004-X0268-UT-WR	<u>6,643</u>
Total US Department of Justice			<u>486,360</u>
Total Federal Financial Assistance			<u>\$2,340,974</u>

N/A = No contract number provided in the agreement.

N/L = No Federal CFDA number is available.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Utah Legal Services, Inc. and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2005

<u>Supportive Services</u>				
	<u>Fund Raising</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>
				<u>Total June 30, 2005</u>
Salary - attorney	\$ 35,651	\$ 56,103	\$ 91,754	\$ 838,604
Salary - other	8,613	68,794	77,407	763,903
Employee benefits	7,319	24,228	31,547	307,076
Contract services	2,640	12,406	15,046	157,236
Space costs	4,438	14,848	19,286	188,191
Travel	1,011	4,671	5,682	59,207
Consumable supplies	699	2,675	3,374	33,908
Telephone	904	3,175	4,079	40,241
Equipment expenses	620	1,916	2,536	24,285
Litigation	123	586	709	7,421
Library expenses	871	2,994	3,865	37,944
Licenses and fees	196	541	737	6,860
Insurance	306	1,071	1,377	13,580
Training expenses	690	827	1,517	10,486
In-kind expense	--	--	--	118,375
Miscellaneous	250	869	1,119	11,010
Depreciation	782	3,997	4,779	50,654
Loss on disposal of assets	63	323	386	4,089
Total Expenses	<u>\$ 65,176</u>	<u>\$ 200,024</u>	<u>\$ 265,200</u>	<u>\$2,673,070</u>
				<u>\$2,938,270</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2004

<u>Supportive Services</u>				
	<u>Fund Raising</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>
				<u>Total June 30, 2004</u>
Salary - attorney	\$ 39,174	\$ 59,355	\$ 98,529	\$ 790,187
Salary - other	13,832	60,062	73,894	744,781
Employee benefits	9,134	22,683	31,817	284,425
Contract services	1,878	8,808	10,686	112,109
Space costs	6,011	14,633	20,644	183,372
Travel	761	4,233	4,994	54,026
Consumable supplies	796	2,358	3,154	29,721
Telephone	1,338	3,423	4,761	42,963
Equipment expenses	1,208	2,744	3,952	39,457
Litigation	104	726	830	9,295
Library expenses	1,098	2,804	3,902	35,195
Licenses and fees	193	543	736	6,841
Insurance	366	928	1,294	11,645
Training expenses	254	848	1,102	10,717
In-kind expense	--	--	--	57,171
Miscellaneous	566	853	1,419	5,322
Depreciation	858	4,596	5,454	58,627
Loss on disposal of assets	26	179	205	2,291
Total Expenses	<u>\$ 77,597</u>	<u>\$ 189,776</u>	<u>\$ 267,373</u>	<u>\$ 2,478,145</u>
				<u>\$2,745,518</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF SUPPORT AND EXPENSES

YEAR ENDED JUNE 30, 2005

SUMMARY

	LSC	Department of Justice	Other	Property	Total
Support					
Grants and contracts	\$1,827,408	\$ 491,490	\$ 497,592	\$ --	\$2,816,490
Other	<u>3,313</u>	<u>43,988</u>	<u>452,173</u>	--	<u>499,474</u>
	<u>1,830,721</u>	<u>535,478</u>	<u>949,765</u>	--	<u>3,315,964</u>
Expenses					
Salary - attorney	594,006	159,729	176,623	--	930,358
Salary - other	496,020	152,551	192,739	--	841,310
Employee benefits	207,332	60,365	70,926	--	338,623
Contract services	48,347	79,935	44,000	--	172,282
Space costs	138,743	27,327	41,407	--	207,477
Travel	38,014	19,771	7,104	--	64,889
Consumable supplies	28,043	2,809	6,430	--	37,282
Telephone	32,373	3,811	8,136	--	44,320
Equipment expense	14,502	4,152	8,167	--	26,821
Litigation	3,060	2,876	2,194	--	8,130
Library expense	30,799	2,715	8,295	--	41,809
Licenses and fees	5,086	1,135	1,376	--	7,597
Insurance	9,296	2,687	2,974	--	14,957
Training expense	8,762	1,266	1,975	--	12,003
In-kind expense	--	8,445	109,930	--	118,375
Miscellaneous	5,176	774	6,179	--	12,129
Depreciation	--	--	--	<u>55,433</u>	<u>55,433</u>
	<u>1,659,559</u>	<u>530,348</u>	<u>688,455</u>	<u>55,433</u>	<u>2,933,795</u>
Excess (deficiency) of support over expenses	171,162	5,130	261,310	(55,433)	382,169
Property acquisition	--	--	(36,315)	36,315	--
Property disposition	--	--	--	(4,475)	(4,475)
Increase (decrease) in net assets	171,162	5,130	224,995	(23,593)	377,694
Beginning net assets	288,678	--	528,024	132,394	949,096
Ending net assets	<u>\$ 459,840</u>	<u>\$ 5,130</u>	<u>\$ 753,019</u>	<u>\$ 108,801</u>	<u>\$1,326,790</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF SUPPORT AND EXPENSES

YEAR ENDED JUNE 30, 2004

SUMMARY

	LSC	Department of Justice	Other	Property	Total
Support					
Grants and contracts	\$1,809,001	\$ 507,104	\$ 522,786	\$ --	\$2,838,891
Other	<u>1,442</u>	<u>48,744</u>	<u>350,422</u>	--	<u>400,608</u>
	<u>1,810,443</u>	<u>555,848</u>	<u>873,208</u>	--	<u>3,239,499</u>
Expenses					
Salary - attorney	549,473	180,181	159,062	--	888,716
Salary - other	479,520	147,959	191,196	--	818,675
Employee benefits	187,934	63,228	65,080	--	316,242
Contract services	33,630	67,212	21,953	--	122,795
Space costs	116,607	22,812	64,597	--	204,016
Travel	28,724	20,068	10,228	--	59,020
Consumable supplies	17,226	6,476	9,173	--	32,875
Telephone	27,064	9,310	11,350	--	47,724
Equipment expense	30,458	12,951	--	--	43,409
Litigation	4,057	5,558	510	--	10,125
Library expense	23,078	6,433	9,586	--	39,097
Licenses and fees	4,678	782	2,117	--	7,577
Insurance	7,449	1,544	3,946	--	12,939
Training expense	6,926	2,504	2,389	--	11,819
In-kind expense	--	7,771	49,400	--	57,171
Miscellaneous	4,941	1,059	741	--	6,741
Depreciation	--	--	--	64,081	64,081
	<u>1,521,765</u>	<u>555,848</u>	<u>601,328</u>	<u>64,081</u>	<u>2,743,022</u>
Excess (deficiency) of support over expenses	288,678	--	271,880	(64,081)	496,477
Property acquisition	--	--	(23,640)	23,640	--
Property disposition	--	--	473	(2,969)	(2,496)
Increase (decrease) in net assets	288,678	--	248,713	(43,410)	493,981
Beginning net assets	--	--	279,311	175,804	455,115
Ending net assets	<u>\$ 288,678</u>	<u>\$ --</u>	<u>\$ 528,024</u>	<u>\$ 132,394</u>	<u>\$ 949,096</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF SUPPORT AND EXPENSES

JUNE 30, 2005

LSC FUNDS

	Basic Field	Migrant	Native American	TIG	June 30, 2004 Carryover	Total
Support						
Grants and contracts	\$1,681,068	\$ 61,360	\$ 74,702	\$ 10,278	\$ --	\$1,827,408
Other	<u>3,313</u>	--	--	--	--	<u>3,313</u>
	<u>1,684,381</u>	<u>61,360</u>	<u>74,702</u>	<u>10,278</u>	--	<u>1,830,721</u>
Expenses						
Salary - attorney	438,460	34,757	6,518	11,262	103,009	594,006
Salary - other	354,660	46,826	14,635	459	79,440	496,020
Employee benefits	148,452	19,759	3,886	1,984	33,251	207,332
Contract services	31,249	3,447	6,531	121	6,999	48,347
Space costs	98,199	13,773	3,920	855	21,996	138,743
Travel	24,712	4,450	2,612	705	5,535	38,014
Consumable supplies	20,198	1,737	1,441	143	4,524	28,043
Telephone	23,579	2,606	724	183	5,281	32,373
Equipment rental and maintenance	8,983	2,536	773	198	2,012	14,502
Litigation	2,304	60	180	--	516	3,060
Library expense	21,259	3,792	788	198	4,762	30,799
Dues and fees	3,408	792	98	26	762	5,086
Insurance	6,525	951	290	68	1,462	9,296
Training expense	5,174	2,153	(155)	431	1,159	8,762
In-kind expense	--	--	--	--	--	--
Miscellaneous	3,982	232	57	13	892	5,176
Depreciation	--	--	--	--	--	--
	<u>1,191,144</u>	<u>137,871</u>	<u>42,298</u>	<u>16,646</u>	<u>271,600</u>	<u>1,659,559</u>
Excess (deficiency) of support over expenses	493,237	(76,511)	32,404	(6,368)	(271,600)	171,162
Property acquisition	--	--	--	--	--	--
Property disposition	--	--	--	--	--	--
Fund transfers	(82,879)	76,511	--	6,368	--	--
Increase (decrease) in net assets	410,358	--	32,404	--	(271,600)	171,162
Beginning net assets	--	--	17,078	--	271,600	288,678
Ending net assets	<u>\$ 410,358</u>	<u>\$ --</u>	<u>\$ 49,482</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 459,840</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF SUPPORT AND EXPENSES

JUNE 30, 2004

LSC FUNDS

	<u>Basic Field</u>	<u>Migrant</u>	<u>Native American</u>	<u>Total</u>
Support				
Grants and contracts	\$1,672,701	\$ 61,536	\$ 74,764	\$1,809,001
Other	<u>1,442</u>	<u>--</u>	<u>--</u>	<u>1,442</u>
	<u>1,674,143</u>	<u>61,536</u>	<u>74,764</u>	<u>1,810,443</u>
Expenses				
Salary - attorney	519,593	19,686	10,194	549,473
Salary - other	432,511	30,282	16,727	479,520
Employee benefits	169,913	11,925	6,096	187,934
Contract services	18,018	5,624	9,988	33,630
Space costs	101,814	8,857	5,936	116,607
Travel	22,806	2,976	2,942	28,724
Consumable supplies	14,946	1,577	703	17,226
Telephone	23,817	1,951	1,296	27,064
Equipment rental and maintenance	25,619	3,003	1,836	30,458
Litigation	3,890	162	5	4,057
Library expense	19,385	2,597	1,096	23,078
Dues and fees	3,698	800	180	4,678
Insurance	6,489	592	368	7,449
Training expense	6,086	649	191	6,926
In-kind expense	--	--	--	--
Miscellaneous	4,640	173	128	4,941
Depreciation	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>1,373,225</u>	<u>90,854</u>	<u>57,686</u>	<u>1,521,765</u>
Excess (deficiency) of support over expenses	300,918	(29,318)	17,078	288,678
Property acquisition	--	--	--	--
Property disposition	--	--	--	--
Fund transfers	<u>(29,318)</u>	<u>29,318</u>	<u>--</u>	<u>--</u>
Increase (decrease) in net assets	271,600	--	17,078	288,678
Beginning net assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Ending net assets	<u>\$ 271,600</u>	<u>\$ --</u>	<u>\$ 17,078</u>	<u>\$ 288,678</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF SUPPORT AND EXPENSES

JUNE 30, 2005

DOJ FUNDS

	LAVA	Thru BJA TCAP	Thru State of Utah VAWA	VOCA	Thru UT AG Safe Passage	Total
Support						
Grants and contracts	\$ 279,430	\$ 47,647	\$ 65,970	\$ 91,800	\$ 6,643	\$ 491,490
Other	<u>65</u>	<u>--</u>	<u>19,236</u>	<u>24,658</u>	<u>29</u>	<u>43,988</u>
	<u>279,495</u>	<u>47,647</u>	<u>85,206</u>	<u>116,458</u>	<u>6,672</u>	<u>535,478</u>
Expenses						
Salary - attorney	74,242	3,987	40,000	38,027	3,473	159,729
Salary - other	58,966	17,546	28,253	47,227	559	152,551
Employee benefits	28,218	4,966	10,000	16,619	562	60,365
Contract services	71,269	4,541	2,260	1,443	422	79,935
Space costs	23,472	3,568	--	--	287	27,327
Travel	9,046	4,381	3,124	2,195	1,025	19,771
Consumable supplies	1,407	629	299	409	65	2,809
Telephone	1,943	718	400	667	83	3,811
Equipment rental and maintenance	2,188	865	450	565	84	4,152
Litigation	2,833	--	43	--	--	2,876
Library expense	776	812	377	691	59	2,715
Dues and fees	1,005	118	--	--	12	1,135
Insurance	2,343	312	--	--	32	2,687
Training expense	1,094	3	--	168	1	1,266
In-kind expense	--	--	--	8,445	--	8,445
Miscellaneous	693	71	--	2	8	774
Depreciation	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>279,495</u>	<u>42,517</u>	<u>85,206</u>	<u>116,458</u>	<u>6,672</u>	<u>530,348</u>
Excess (deficiency) of support over expenses	--	5,130	--	--	--	5,130
Property acquisition	--	--	--	--	--	--
Property disposition	--	--	--	--	--	--
Increase (decrease) in net assets	--	5,130	--	--	--	5,130
Net assets beginning of year	--	--	--	--	--	--
Net assets end of year	<u>\$ --</u>	<u>\$ 5,130</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,130</u>

The accompanying notes are an integral part of these financial statements.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF SUPPORT AND EXPENSES

JUNE 30, 2004

	Thru State of Utah			
DOJ FUNDS	LAVA	VAWA	VOCA	Total
Support				
Grants and contracts	\$ 338,353	\$ 65,626	\$ 103,125	\$ 507,104
Other	--	20,599	28,145	48,744
	<u>338,353</u>	<u>86,225</u>	<u>131,270</u>	<u>555,848</u>
Expenses				
Salary - attorney	94,758	32,224	53,199	180,181
Salary - other	82,577	27,859	37,523	147,959
Employee benefits	33,891	12,335	17,002	63,228
Contract services	60,435	536	6,241	67,212
Space costs	22,812	--	--	22,812
Travel	7,249	3,805	9,014	20,068
Consumable supplies	5,799	677	--	6,476
Telephone	6,091	3,219	--	9,310
Equipment rental and maintenance	9,700	3,251	--	12,951
Litigation	5,254	279	25	5,558
Library expense	4,911	1,522	--	6,433
Dues and fees	782	--	--	782
Insurance	1,544	--	--	1,544
Training expense	1,491	518	495	2,504
In-kind expense	--	--	7,771	7,771
Miscellaneous	1,059	--	--	1,059
Depreciation	--	--	--	--
	<u>338,353</u>	<u>86,225</u>	<u>131,270</u>	<u>555,848</u>
Excess (deficiency) of support over expenses	--	--	--	--
Property acquisition	--	--	--	--
Property disposition	--	--	--	--
Increase (decrease) in net assets	--	--	--	--
Net assets beginning of year	--	--	--	--
Net assets end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

Burnham & Schumm, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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A Professional Corporation
Officers:
Lonnie K. Burnham, C.P.A.
Ted Schumm, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Utah Legal Services, Inc.
Salt Lake City, Utah

We have audited the financial statements of Utah Legal Services, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Utah Legal Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Utah Legal Services, Inc. in a separate letter dated October 7, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Utah Legal Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain additional matters that we have reported to management of Utah Legal Services, Inc. in a separate letter dated October 7, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burnham & Schumm

Salt Lake City, Utah
October 7, 2005

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
Utah Legal Services, Inc.
Salt Lake City, Utah

Compliance

We have audited the compliance of Utah Legal Services, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and the Legal Services Corporation (LSC) Audit Guide and Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Utah Legal Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Utah Legal Services, Inc.'s management. Our responsibility is to express an opinion on Utah Legal Services, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, Non-Profit Organizations, and the Legal Services Corporation (LSC) Audit Guide and Compliance Supplement. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Utah Legal Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Utah Legal Services, Inc.'s compliance with those requirements.

In our opinion, Utah Legal Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for year ended June 30, 2005.

Internal Control Over Compliance

The management of Utah Legal Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Utah Legal Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Legal Services Corporation (LSC) Audit Guide and Compliance Supplement.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, finance committee, others within the organization and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Salt Lake City, Utah
October 7, 2005

Burnham & Schumm

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Ted Schumm, C.P.A.

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

We have audited the financial statements of Utah Legal Services, Inc. (a nonprofit organization) for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. As part of our audit, we have audited Utah Legal Services, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. Utah Legal Services, Inc. received the following major State assistance program from the State of Utah:

General Assistance (Department of Workforce Services)

Utah Legal Services, Inc. also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Utah Legal Services, Inc.'s financial statements.)

Utah State Legislature, H.B. 1 (Administrative Office of the Courts)

The management of Utah Legal Services, Inc. is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Utah Legal Services, Inc.'s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Utah Legal Services, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

Burnham & Schum

Salt Lake City, Utah
October 7, 2005

UTAH LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

A. Summary of Auditor's Results

1. The Independent Auditors' Report contained on page 1 of this report, issues an unqualified opinion on the financial statements of Utah Legal Services, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instance of noncompliance material to the financial statements of Utah Legal Services, Inc. was disclosed during the audit.
4. The audit report on Utah Legal Services, Inc., for the year ended June 30, 2005 contains no reportable conditions in internal control over major programs.
5. The auditor's report on compliance for the major federal awards program for Utah Legal Services, Inc. expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Utah Legal Services, Inc. are reported.
7. Utah Legal Services, Inc. maintained two major programs for the year ended June 30, 2005. The major programs were funded by Legal Services Corporation, CFDA #09.745000, and the Department of Justice CFDA #'s 16.524, 16.575, 16.588 and 16.608.
8. The threshold for distinguishing Type A and B programs was \$500,000.
9. Utah Legal Services, Inc. does not qualify as a low risk auditee under paragraph .530 of OMB Circular A-133.

Findings and Questioned Costs for Federal Awards - Continued

B. Findings - Financial Statements - Audit

There are no Findings - Financial Statements - Audit

C. Findings and Questioned Costs for Major Federal Awards Programs Audit

There are no Findings and Questioned Costs for Major Federal Awards Programs Audit.

D. Summary of Prior Findings

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA #93.048; Administration on Aging; Award #90AM2703; Grant period-year ended June 30, 2004

Finding #04-1: Contract billed for volunteer hours.

Conclusion: Corrective action was taken.

As a result of the corrective action taken for June 30, 2004, no similar errors have been reported for the year ending June 30, 2005.

LEGAL SERVICES CORPORATION

CFDA #09.745000; Recipient Number 745000; Grant period-year ended June 30, 2004

Finding #04-1: Services provided to over income clients.

Conclusion: Corrective action was taken.

As a result of the corrective action taken for June 30, 2004, no similar errors have been reported for the year ending June 30, 2005.

Burnham & Schumm, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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A Professional Corporation
Officers:
Lonnie K. Burnham, C.P.A.
Ted Schumm, C.P.A.

To the Board of Trustees
of Utah Legal Services, Inc.
Salt Lake City, Utah

In planning and performing our audit of the financial statements of Utah Legal Services, Inc. for the year ended June 30, 2005, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Organization's internal control in our report dated October 7, 2005. This letter does not affect our report dated October 7, 2005, on the financial statements of Utah Legal Services, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized on the following pages.

This report is intended solely for the information and use of the Board of Trustees of Utah Legal Services, Inc., management, and Legal Services Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Burnham & Schumm

Salt Lake City, Utah
October 7, 2005

UTAH LEGAL SERVICES, INC.

MANAGEMENT POINTS

JUNE 30, 2005

Management Points

Condition

During the course of fieldwork it was noted that the Organization had an LSC fund balance in the amount of \$459,840. This exceeds the allowable fund balance by \$276,768. In accordance with regulation 45 CFR 1628, the Organization, without prior approval, may not expend LSC funds carried over from one year to the next in excess of 10% of LSC support.

Recommendation

We recommend that ULS request a waiver to allow them to properly expend the carryover funds and in future years expend LSC funds in accordance with regulations.

Management's Response

ULS has requested a waiver of the excess fund balance and is developing a budget which will reduce this year's fund balance.

Condition

Throughout the audit period ULS has complied with and fallen out of compliance with regulations regarding composition of ULS Governing Board. Regulation 45 CFR 1607 requires the Board to be comprised of at least 60% McCollum positions and 33% filled with clients or former clients.

Recommendation

We recommend that ULS fill the board with the required persons so as to comply with this regulation.

Management's Response

ULS Board and staff are working with the Utah State Bar and community groups to fill all board positions. A new client-eligible and attorney member joined the Board in September 2005.

Condition

During our payroll test it was noted that in 3 out of twenty-five personnel files tested, required documents were missing. We believe this came about because personnel files are being maintained in two separate filing systems by two different employees.

Recommendation

We recommend that ULS consolidate personnel information into one comprehensive file. In addition, at least annually, each personnel file should be reviewed to ensure it is complete and up to date.

Management's Response

ULS has consolidated personnel information, except for evaluations and disciplinary actions, into one file and agrees to annually review each personnel file.

Condition

During our compliance testing it was noted that the Core Case Service Priorities were formally adopted on January 27, 2004. In accordance with 45 CFR 1620.5(a), ULS must periodically set priorities and its governing body must at least annually review the priorities.

Recommendation

We recommend that ULS review its Core Case Service Priorities before year end.

Management's Response

The ULS Board is scheduled to review the Core Case Service Priorities at the November Board meeting.